THE HUMAN IMPACT: AUTOMATION AND YOUR WORKFORCE STRATEGY

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Agenda

- Overview of Human Capital Impact of Automation

- Examples of Impact

- Workforce Impact
  - Recruiting
  - Training
  - Retention
  - Compensation

- Human Resources Automation

Human Capital Impact

- This is not new
  - First wave of automation happened hundreds of years ago with the Industrial Revolution
  - Another wave occurred with the introduction of vehicles
  - Significant changes in the 60's
  - Computers introduced in 80's and 90's

- This is just next phase

Why is this different?

- Happening so quickly
    - Rate of change is difficult to keep up with
    - Speed of automation is being calculated in months not years
    - If you aren't on an ERP system, you are already behind
- Everyone is impacted
    - Every industry is impacted by computers
    - Impacts manufacturing more due to regulation and trend to offshore
- Talent war driving need to consider options
    - "People who should be working lesser jobs are now being hired for higher skilled positions"
    - How to engage Millennials in entry level jobs?
- Being compared to Industrial Revolution

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Human Capital Impact

- Automation is happening quicker than skill sets and society can keep up with

- Last automation phase for humans was easier to transition skills – not every industry was impacted – every industry is impacted by computers now. Necessary skills are harder to learn and take longer to achieve

- Computers are second nature for youth – generational issues will continue to compress

- Machines are "always polite, they always upsell, they never take a vacation, they never show up late, there's never a slip-and-fall, or an age, sex or race discrimination case."

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Automation and Manufacturing

- Two Studies – McKinsey and Oxford

- Found similar information
  - 40-47% of jobs in US eligible for automation are at risk for automation
  - Highest impacted industries – Dishwashers; Manufacturing

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Impact of Automation

- 80% of job losses from 2000-2010 were due to automation
  - 13% were due to globalization and trade
- Since 1990, manufacturing output increased 72% while employment fell 31%
- 2016 – 72% more goods were produced with 70% of the workers of 1990
- Estimated 10% of mfg tasks performed by robots in 2015
  - Anticipated to grow to 25% by 2025
  - Robots are becoming less expensive and easier to program

Impact of Automation

- .5% of Americans work in an industry or job that didn't exist before the year 2000

- Up to a third of able-bodied American men between the ages of 25 and 54 could be unemployed within thirty years

- A recent Gallup poll indicates that around 37 percent of millennials are at a high risk of losing their jobs to computers or machines

- When automation occurs it often leads to the need for more customer facing employees – Customer Service and Sales

Impacted Functions

Work Activity Category	Time spent in activity	Automation potential
Managing and developing People	7%	9%
Decision making, planning	14%	18%
Interfacing with Stakeholders	16%	20%
Operating Machinery in unpredictable environments	12%	26%
Collecting data	17%	64%
Processing data	16%	69%
Operating Machinery in predictable environments	18%	81%

Examples of Automation

- ATM machines
- Automated dish washing machines
- Cupcake dispensing ATMs
- CAD
- ERP
- Kodak

- Most workers in transport and logistics (such as taxi and delivery drivers) and office support (such as receptionists and security guards) "are likely to be substituted by computer capital"
- Many workers in sales and services (such as cashiers, counter and rental clerks, telemarketers and accountants) also face a high risk of computerization

Reality of Automation

- Elimination of positions – Yes

- Elimination of all positions – No

- Automating a particular task generally requires more human capital to focus on the elements around the task that were not automated

- Automation redefines jobs – eliminates some but creates others requiring workers to learn new skills

- Renewed need to focus on management and coaching skills

Current Employees

What do you do with them?

- Two options
    - Terminate
    - Train

How do you decide which way to go?

- Consider current evaluation process and its effectiveness
- Redefine rating scales on growth and change related criteria
    - competency development
    - initiative
    - teamwork

Current Employees

- Start preparing them for change
  - Revised performance evaluations focused on talent development and embracing change
  - Find your change champions
  - Create roles for new leaders of change

- Identify training opportunities that support coming changes
  - Soft skills training – change, communication, leadership/coaching
  - Technical training – systems, programming

RECRUITING

Recruiting

- Labor force will need to be higher skilled
- Will be more appealing than some lesser desired jobs
- Be creative in your employment strategy
  - Use apprenticeships (youth jobs will be going away – automated fast food servers, there will be fewer jobs for youth- apprenticeships will offer workforce and skills acclimation)
  - Create Management Training and Job Rotation programs

What's going on?

- Good candidates are desired by everyone
  - 13.9 Million new jobs since November 2016

  - 17 year low for Unemployment numbers – currently 3.9%

  - The youth (16-24) unemployment rate dropped to its lowest level in 52 years and labor productivity increased at a 2.9% annual rate in the second quarter of 2018 – compared to an average of 1.2% since 2007

  - Also, initial jobless claims dropped last week and remain near a 48-year low

- How do you get one?
  - Be able and ready to move quickly when you find one
  - Review recruiting practices and ensure you don't have processes in place that are slow and time consuming

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Candidate Experience

- Where are they going for jobs?
  - **79% of job seekers** are likely to **use social media** in their hunt for their next job
  - Ease and convenience of technology has increased the online application process
  - Peer to peer referrals continue to be the best way for employers to find candidates and candidates to find companies

- Online postings
  - Candidates are struggling to find accurate and meaningful opportunities online – poor reputation of online sites
  - Social media and connections to people are perceived as legitimate
  - Use multi-media strategies to touch all generations and positions
  - Recruit directly from schools

Employer Branding

- What is it?
    - The term commonly used to describe reputation as an employer and its value proposition to its employees
    - Information outsiders can discern from the information they have available to them
- Time to approach getting employees like getting customers – it's a buyers market
- A staggering **78% of people will look into a company's reputation** as an employer before applying for a job and 88% of millennials believe that **being part of the right company culture** is very important.

COMPENSATION

Compensation

- Cost of employment will continue to rise
- Higher skilled positions will be more attractive to candidates but are more expensive
- Cost of onboarding and retention will be even more critical than today
  - Turnover is calculated at 50% of compensation, conservatively
- Already experiencing pay compression and internal equity issues

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Designing a Pay Philosophy

Pay Philosophy

- A formal statement documenting the company's position about employee compensation. It explains the "why" behind employee pay and creates a framework for consistency.

- Employers use their compensation philosophy to attract, retain and motivate employees
  - Market alignment
  - Merit vs. Market increases
  - Business growth and increased income
  - Valued contribution
  - Base vs. Variable comp

Compensation Strategies

- How to compensate for learning new skills?

  - New position rate
  - Pay for skill
  - Step Progression
  - Bonus
  - Pay for
    - Certifications
    - Tuition
    - Conferences

TRAINING

Training

- How to retrain current workforce?

- Do you have the right managers trained to handle a changing landscape and a more technical workforce?

- Project Management will become a critical competency

- Employee Development and coaching will become critical competencies

Learning Culture

- Will need to develop a learning culture

- A learning culture is a **set of organizational values, conventions, processes**, and **practices that encourage individuals—and the organization as a whole—to** increase knowledge, competence, and performance. "High impact" simply describes the idea that the learning culture positively impacts business results.

High-Impact Learning Culture

- The new generation of employees has grown up in a world of constant change and innovation

- Employees want to learn continuously and expect that their employers value and nurture their potential

- The global, mobile, transient nature of this new workforce makes it easy for employees to jump ship for organizations that offer more growth and development opportunities

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High-Impact Learning Culture

Why Does It Matter?

High-impact learning organizations (HILOs) are better at things like skills development and talent development.

- They are 32 percent more likely to be first to market.
- They have 37 percent greater employee productivity.
- They have a 34 percent better response to customer needs.
- They have a 26 percent greater ability to deliver quality products.
- They are 58 percent more likely to have skills to meet future demand.
- They are 17 percent more likely to be market share leader.

Resources for training

- How to capture/calculate new requirements
  - Job descriptions
  - KSA's
  - Competencies

- Continued learning and education
  - Ability to develop learning plans aligned to skills development
  - Personalized curriculum
    - Technical and soft skills

- Leverage OJT, classroom, online and micro learning
  - Internal cross training
  - Vendor technical training
  - WIB
  - Skill UP
  - Blue Ocean Brain

HR AND AUTOMATION

Automating HR

- Why important?

- All of the reasons mentioned above

- HR must be a partner in helping to solve and evolve the organization

- The Employee Experience in recruiting has become critical and
  - Finding candidates is more technologically oriented
  - Takes more time to nurture relationships
  - Helps you to make quicker decisions ensuring talent acquisition
  - Technology allows for ease of onboarding
  - Focuses on training rather than paperwork

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HR Automation

- 65% of HR processes can be automated

- This is a growing trend amongst HR professionals

- Fully integrated HR technology
  - Applicant tracking
  - Onboarding
  - HRIS
  - Ben Admin
  - Performance Management
  - Learning Management
  - Payroll
  - Succession
  - Compensation modules

Advantages of HR Technology

Idea is to spend more time on value-add processes

- building relationships
- retention
- recruiting talent
- culture
- employee and manager development
- Human Capital strategy

Advantages of HR technology

- More millennial friendly

- Improved accuracy and data retention

- Enhanced Employer brand - progressive and not old fashioned

- Increased access of data for managers

- Increased opportunity to retain candidates from offer to start date

- Ability to push training and leverage micro learning platforms

- Metric tracking

QUESTIONS?